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**ST. TAMMANY PUBLIC TRUST
FINANCING AUTHORITY**

Financial Statements and
Independent Auditor's Report

August 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/4/09

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Independent Auditor's Report

To the Board of Trustees
St. Tammany Public Trust Financing Authority

We have audited the accompanying financial statements of the business-type activities of the St. Tammany Public Trust Financing Authority (the Authority) as of and for the year ended August 31, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the St. Tammany Public Trust Financing Authority as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

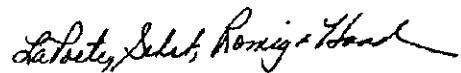
In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2009, on our consideration of the St. Tammany Public Trust Financing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 and 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Public Trust Financing Authority's basic financial statements. The accompanying Schedule of Governing Board is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all materials respects in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

February 10, 2009

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Management's Discussion and Analysis
August 31, 2008

This section of the annual financial report provides important background information and management's analysis of St. Tammany Public Trust Financing Authority's (the Authority) financial performance during the fiscal year that ended on August 31, 2008. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements beginning on page 5 in this report.

The Management's Discussion and Analysis is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999.

Financial Highlights

- The Authority's assets exceeded its liabilities at the close of fiscal year 2008, by \$504,685 which represents a 14% increase from last fiscal year. The entire amount may be used to meet the Authority's ongoing obligation to its users.
- The Authority's revenue increased 6% and the change in net assets for the year was \$62,501.

Overview of the Financial Statements

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

The basic financial statements present information for the Authority as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The *Statement of Net Assets* presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial positions of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Authority's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The *Statement of Cash Flows* presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operation income (loss) to net cash provided by (used in) operating activities (indirect method) as required by GASB 34.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Management's Discussion and Analysis
August 31, 2008

Financial Analysis of the Entity

	2008	2007
Total Assets	\$ 8,172,628	\$ 7,566,803
Total Liabilities	<u>7,667,943</u>	<u>7,124,619</u>
Net Assets - Unrestricted	<u>\$ 504,685</u>	<u>\$ 442,184</u>

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which those amounts may be used.

	2008	2007
Operating Expenses	\$ 624,244	\$ 589,844
Operating Revenues	<u>561,743</u>	<u>528,983</u>
Net Increase in Net Assets	<u>\$ 62,501</u>	<u>\$ 60,861</u>

Contacting the Authority's Management

This financial report is designed to provide our citizens and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need *additional financial information*, contact Lloyd R. Walters, General Counsel, St. Tammany Public Trust Financing Authority.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Net Assets
August 31, 2008

	Enterprise Funds			
	1990A Program	1991C Program	Unrestricted	Total
Assets				
Cash and Cash Equivalents	\$ 8,866	\$ 663,486	\$ 181,569	\$ 853,921
U.S. Government Securities - At Amortized Cost	-	7,255,779	-	7,255,779
Deferred Financing Costs - Net of Amortization	-	62,928	-	62,928
Total Assets	8,866	7,982,193	181,569	8,172,628
Liabilities and Net Assets				
Bonds Payable - Net of Discounts	-	7,667,943	-	7,667,943
Net Assets - Unrestricted	\$ 8,866	\$ 314,250	\$ 181,569	\$ 504,685

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended August 31, 2008

	Enterprise Funds			
	1990A Program	1991C Program	Unrestricted	Total
Revenues				
Interest on Investments	\$ 235	\$ 619,217	\$ 4,792	\$ 624,244
Total Revenues	235	619,217	4,792	624,244
Expenses				
Amortization of Deferred Financing Costs	-	8,186	-	8,186
Amortization of Discounts on Bonds Payable	-	543,324	-	543,324
Operating Expenses	4,545	4,791	897	10,233
Total Expenses	4,545	556,301	897	561,743
Changes in Net Assets	(4,310)	62,916	3,895	62,501
Net Assets, Beginning of Year	13,176	251,334	177,674	442,184
Net Assets, End of Year	\$ 8,866	\$ 314,250	\$ 181,569	\$ 504,685

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Statement of Cash Flows
For the Year Ended August 31, 2008

	Enterprise Funds			
	1990A Program	1991C Program	Unrestricted	Total
Cash Flows from Operating Activities				
Interest Income Receipts	\$ 234	\$ 17,544	\$ 4,792	\$ 22,570
Income Received from Other Programs	5,625	-	-	5,625
Administrative Expenses Paid	(4,544)	(4,790)	(897)	(10,231)
Net Cash Provided by Operating Activities	1,315	12,754	3,895	17,964
Net Increase in Cash and Cash Equivalents	1,315	12,754	3,895	17,964
Cash and Cash Equivalents, Beginning of Year	7,551	650,732	177,674	835,957
Cash and Cash Equivalents, End of Year	\$ 8,866	\$ 663,486	\$ 181,569	\$ 853,921
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities				
Change in Net Assets	\$ (4,310)	\$ 62,916	\$ 3,895	\$ 62,501
Amortization of Bond Discounts	-	543,324	-	543,324
Amortization of Deferred Financing Costs	-	8,186	-	8,186
Accretion in U.S. Government Securities	-	(601,672)	-	(601,672)
Decrease in other Receivable	5,625	-	-	5,625
Net Cash Provided by Operating Activities	\$ 1,315	\$ 12,754	\$ 3,895	\$ 17,964

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Notes to Financial Statements
August 31, 2008

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the St. Tammany Public Trust Financing Authority (the Authority) conform to accounting principles generally accepted in the United States of America, as applicable to governments. The following is a summary of certain significant accounting policies:

History of the Authority

The St. Tammany Public Trust Financing Authority was created through a Trust Indenture dated March 6, 1979, pursuant to provisions of Chapter 2-A of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments granted the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Tammany Parish, Louisiana.

The Authority's operations consist of the following programs. Two programs are single family mortgage revenue bond programs whereby the Authority promotes residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of \$50,000,000 of 1979 Single Family Mortgage Revenue Bonds, dated July 1, 1979, (the 1979 Program) and \$37,500,000 of 1980 Single Family Mortgage Revenue Bonds, dated December 1, 1980 (the 1980 Program). In addition, the Authority had a collateralized loans-to-lenders program whereby the Authority provided funds to participating savings and loan associations for the purpose of making loans to developers for the acquisition, construction and ownership of multifamily rental properties. The funds for this program were obtained through the issuance of \$20,915,000 of 1982 Collateralized Loans-to-Lenders Housing Revenue Bonds, dated May 1, 1982 (the 1982 Program).

On March 8, 1990, the Authority issued \$26,470,000 in Taxable Refunding Bonds Series 1990A, dated March 1, 1990 (the 1990A Program) and on April 17, 1990, issued \$3,340,000 Tax-Exempt Convertible Capital Appreciation Refunding Bonds Series 1990B, dated April 1, 1990 (the 1990B Program) for the purpose of providing for the repayment of the outstanding bonds of the 1979 Program. The Authority entered into an Escrow Deposit Agreement with a local bank pursuant to which there have been deposited sufficient funds and Government Obligations (as defined in the 1979 Indenture) to provide for repayment of the 1979 bonds pursuant to the 1979 Indenture. Simultaneously, the mortgage loans receivable and certain funds of the 1979 Program were transferred to the 1990A Program and to the Authority's Unrestricted Fund. During the year ended August 31, 2003, the Authority retired all remaining 1990B bonds payable. During the year ended August 31, 2004, the Authority retired all remaining 1990A Bonds Payable.

Note 1. Summary of Significant Accounting Policies (Continued)

History of the Authority (Continued)

On April 25, 1991, the Authority issued \$3,780,000 Single Family Mortgage Revenue Refunding Bonds Series 1991A dated April 1, 1991 (the 1991A Program), \$2,095,000 Taxable Refunding Bonds Series 1991B, dated April 1, 1991 (the 1991B Program), and \$11,850,000 Tax-Exempt Capital Appreciation Refunding Bonds Series 1991C, dated May 1, 1991 (the 1991C Program). The Series 1991A bonds had an interest rate of 7.00% and matured on June 1, 2002. The Series 1991B bonds had an interest rate of 8.25%. The Series 1991C bonds bear no interest and mature on July 20, 2014. The proceeds from the issuance of these bonds were used to pay bond issuance costs of the program and, along with funds from the 1980 Program, were used to retire the 1980 Program's outstanding Bonds Payable, the 1980 Program's Mortgage Loans Receivable were transferred to the 1991A and 1991B Programs as collateral for the respective Bonds Payable. The 1991C Program's Bonds Payable are secured by a second lien on the Mortgage Loans Receivable of the 1991B Program. During the year ended August 31, 2000, the 1991B bonds were paid off and the remaining assets and liabilities were transferred to the 1991C Program. During the year ended August 31, 2002, all remaining 1991A mortgage certificates receivable and bonds outstanding were retired. The balance of funds was paid to the cities of Covington and Slidell.

The bonds issued by the Authority are general obligations for the Authority and are not an obligation of the State of Louisiana, or any other political subdivision thereof. The Authority's Board of Trustees is empowered under the trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the programs it initiates. Under each of the programs the Authority utilizes area financial institutions to originate and service the mortgage loans and notes acquired. In addition, a bank has been designated as Trustee for each of the bond programs and has the fiduciary responsibility for the custody and investment of funds.

Method of Accounting

On September 1, 2003, the Authority adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Note 1. Summary of Significant Accounting Policies (Continued)

Method of Accounting (Continued)

Restricted - This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the statement.

Basis of Accounting and Reporting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Authority operates certain funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. The individual funds within each bond program are aggregated in the accompanying individual and combined financial statements. Because the 1979 Program was in-substance defeased during the year ending August 31, 1990, it is no longer presented with the individual and accompanying financial statements. The Authority applies all applicable FASB pronouncements passed on or before November 30, 1989, in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

Under state law, the Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at amortized cost.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Amortization

Bond issuance costs, including underwriters' discount on bonds sold, are being amortized systematically over the lives of the bonds, based upon the principal amounts outstanding.

Deferred Financing Costs

Such costs related to bonds called in accordance with the early redemption provisions as described in the Bond Trust Indentures are charged to expense in the year that such bonds are called.

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Notes to Financial Statements
August 31, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

Discounts

Discounts resulting from the purchase of U. S. Government securities and the sale of bonds are amortized over the lives of the securities under the effective interest method.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Cash and Investments

The Authority's programs maintain deposits at the Trustee bank. The balance of these deposits at August 31, 2008, was \$853,921. These deposits are stated at cost which approximates market. The Authority's cash equivalents represent interests in money market mutual funds. The Authority's investment is a Federal National Mortgage Association Zero Coupon bond which matures on July 5, 2014.

Credit Risk - The Authority's cash equivalents and investments at August 31, 2008, are listed below to indicate the credit rating at year end. The Authority does not have a formal investment policy regarding investment credit risk.

Concentration of Credit Risk - The Authority has no formal limit on the amount the Authority may invest in any one issuer. Federal National Mortgage Association Zero Coupon Bonds make up 100% of the Authority's investments.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Rates on the investments are noted below:

	Maturity	Amortized Cost	Market Value	Rate	Rating
1990A Program					
Cash Equivalents -					
JP Morgan Chase US Treasury Plus		\$ 8,866	\$ 8,866	1.40%	AAA
1991C Program					
Cash Equivalents -					
JP Morgan Chase US Treasury Plus		663,486	663,486	1.40%	AAA
U. S. Government Securities -					
Federal National Mortgage Assn.	7/5/2014	7,255,779	9,594,116	0.00%	AAA
		<u>7,919,265</u>	<u>10,257,603</u>		
Unrestricted					
Cash Equivalents -					
JP Morgan Chase US Treasury Plus		181,569	181,569	1.40%	AAA
Total		<u>\$ 8,109,700</u>	<u>\$ 10,448,038</u>		
Combined					
Cash Equivalents		\$ 853,921	\$ 853,921		
U. S. Government Securities		7,255,779	9,594,116		
Total		<u>\$ 8,109,700</u>	<u>\$ 10,448,038</u>		

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Notes to Financial Statements
August 31, 2008

Note 2. Cash and Investments (Continued)

The Authority's investments do not meet the requirements under GASB Statement No. 31, which would require investments to be recorded at fair value. U. S. Government securities are carried at amortized cost because it is the Authority's intent to hold all such securities until maturity and the investments are not held primarily for the purpose of income or profit.

The Authority does not anticipate a requirement to sell any of the U. S. Government and Federal Agency Securities it holds, prior to maturity, because such securities are invested to mature as funds are required to satisfy debt service payments.

Note 3. Bonds Payable

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows at August 31, 2008:

1991C Program

Tax Exempt Capital Appreciation Refunding Bonds, Due July 20, 2014, Zero Stated Rate, 7.38%	
Effective Yield	\$ 11,850,000
Less Related Discount	<u>(4,182,057)</u>
Net Total	<u>\$ 7,667,943</u>

The bond principal and interest requirements of the 1991C Program Bonds Payable are secured by the pledge of all assets of the 1991C Program and by a zero coupon U. S. Government Security with a face amount of \$11,850,000, which matures on July 5, 2014. The 1991C Program Bonds are structured such that the bonds accrete in value monthly until the value at maturity is \$11,850,000. The bonds are scheduled to mature on July 20, 2014, and are not subject to optional redemption prior to maturity.

It is not possible to project the bond principal payments for the 1991C Program Bonds for the next five years due to the repayment structuring and the redemption procedures of the Trust Indentures.

OTHER SUPPLEMENTAL INFORMATION

ST. TAMMANY PUBLIC TRUST FINANCING AUTHORITY
Schedule of Governing Board
August 31, 2008

<u>Board Member</u>	<u>Compensation</u>
Ben Morris P.O. Box 828 Slidell, LA 70459 (985) 646-4333	\$-0-
Marti Livaudais P.O. Box 828 Slidell, LA 70459	\$-0-
Candice Watkins 609 N. Columbia Street Covington, LA 70433 (985) 892-1811	\$-0-
Matthew Faust 37 Spruce Drive Covington, LA 70433 (895) 892-6584	\$-0-
Edward J. Price, III 3101 E. Causeway Approach Mandeville, LA 70448 (985) 626-3133	\$-0-



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
St. Tammany Public Trust Financing Authority

We have audited the financial statements of the business-type activities of the St. Tammany Public Trust Financing Authority (the Authority) as of and for the year ended August 31, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Tammany Public Trust Financing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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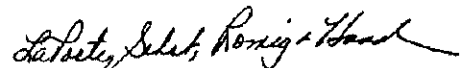
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Tammany Public Trust Financing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

February 10, 2009